

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 0 — 0 0 5

2. STATE:

Pennsylvania

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)
Title XIX

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 1, 2000

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR Subpart C

7. FEDERAL BUDGET IMPACT:

a. FFY 00 \$ 7,902,000
b. FFY 01 \$ 11,749,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19A Pages 2a, 6, 14, 20, 22, 23 and 24

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

Attachment 4.19A Pages 2a, 6, 14, 20, 22, 23 and 24

10. SUBJECT OF AMENDMENT:

Inpatient Hospital Payment Systems

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED: Review and approval authority has been delegated to the Department of Public Welfare

12. SIGNATURE OF STATE AGENCY OFFICIAL:

[Signature]

13. TYPED NAME:

Feather O. Houston

14. TITLE:

Secretary of Public Welfare

15. DATE SUBMITTED:

3/31/00

16. RETURN TO:

Commonwealth of Pennsylvania
Department of Public Welfare
Office of Medical Assistance Programs
Bureau of Policy, Budget and Planning
P.O. Box 8046
Harrisburg, PA 17105

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

May 22, 2001

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

1/1/00

20. SIGNATURE OF REGIONAL OFFICIAL:

[Signature]

21. TYPED NAME:

CLAUDETTE V CAMPBELL

22. TITLE:

ASSOCIATE REGIONAL ADMINISTRATOR
DIVISION OF MEDICAID &
STATE OPERATIONS

23. REMARKS:

Payments for Direct Medical Education Costs

(a) The Department reimburses eligible hospitals the Medical Assistance inpatient costs for direct medical education, that are determined allowable under Medicare cost principles in effect as of June 30, 1985. For the period July 1, 1997 through December 31, 1999, providers that were eligible for direct medical education payments as of June 30, 1997, or otherwise become eligible during this term shall be eligible for direct medical education payments.

(b) Payments

(1) For the period July 1, 1997 through December 31, 1997, eligible providers shall receive monthly payments equal to their monthly payments for January 1, 1997 through June 30, 1997.

(2) For the period January 1, 1998, through December 31, 1998, eligible providers shall receive quarterly payments based on the monthly payments set forth in (b)(1) converted to quarterly payments.

(3) For the period January 1, 1999 through December 31, 1999, eligible providers shall receive quarterly payments as set forth in (b)(2).

(4) For the period January 1, 2000, through June 30, 2000, payments set forth in (b)(3) will be increased by 4 percent.

(c) Direct medical education payments shall be adjusted as necessary in accordance with the limitations set forth in Part V.

(d) Direct medical education payments shall be considered final and prospective and are not subject to cost settlement.

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT HOSPITAL CARE

- (9) For the period January 1, 1996 to December 31, 1996, each hospital's case mix adjusted cost per case value in (g)(8) is the amount as of December 31, 1995, decreased by 5 percent to account for forecast error.
- (10) For the period January 1, 1997, to December 31, 1997, each hospital's case mix adjusted cost per case value in (g)(9) is increased by 2 percent.
- (11) For the period January 1, 1998, to December 31, 1998, each hospital's case mix adjusted cost per case value in (g)(10) is increased by 2.7 percent.
- (12) For the period January 1, 1999, to December 31, 1999, each hospital's case mix adjusted cost per case value in (g)(11) is increased by 2 percent.
- (13) For the period January 1, 2000, to December 31, 2000, each hospital's case mix adjusted cost per case value in (g)(12) is increased by 2.8 percent.
- (h) The amount determined under (g)(13) is limited to \$6,756.62 for the period January 1, 2000, to December 31, 2000.

Limits to Final Payments

The Department's payment for inpatient hospital services (including acute care general hospitals and their distinct part units, private psychiatric hospitals, and freestanding rehabilitation hospitals) may not exceed in the aggregate, the amount that would be paid for those services under Medicare principles of reimbursement.

The Department's payment, exclusive of any disproportionate share payment adjustment, may not exceed the hospital's customary charges to the general public for the services.

The Department will not pay a final audited per diem rate for the hospital or hospital unit that exceeds the ceiling, which is the hospital's audited per diem rate for the hospital or hospital unit for the preceding fiscal year increased for inflation by the following inflation factors:

- (1) 5.6 percent to account for Fiscal Year 1988-89 inflation.
- (2) 5.0 percent to account for Fiscal Year 1989-90 inflation.
- (3) 5.3 percent to account for Fiscal Year 1990-91 inflation.
- (4) 5.2 percent to account for Fiscal Year 1991-92 inflation.
- (5) 4.6 percent to account for Fiscal Year 1992-93 inflation.
- (6) 4.3 percent to account for Fiscal Year 1993-94 inflation.

This inflation factor is applied effective July 1, 1993, for all inpatient rehabilitation facilities which qualified for a disproportionate share payment, exclusive of supplemental disproportionate share payments, in Fiscal Year 1992-93. The inflation factor is applied effective January 1, 1994, for other inpatient rehabilitation facilities.

- (7) Effective January 1, 1995, the amount determined under (6) will be increased by 3.7%.
- (8) Effective January 1, 1996, the amount determined under (7) will be multiplied by .95.
- (9) Effective January 1, 1997, the amount determined under (8) will be increased by 2%.
- (10) Effective January 1, 1998, the amount determined under (9) will be increased by 2.7%.
- (11) Effective January 1, 1999, the amount determined under (10) will be increased by 2%.
- (12) Effective January 1, 2000, the amount determined under (11) will be increased by 2.8%.

For the period January 1, 1997 through December 31, 1997, the Department limits interim and final payment to rehabilitation providers to \$954.61 per day. For the period January 1, 1998 through December 31, 1998, the Department limits interim and final payment to rehabilitation providers to \$980.38 per day. For the period January 1, 1999 through December 31, 1999, the Department limits interim and final payment to rehabilitation providers to \$999.99 per day. Effective January 1, 2000, the Department limits interim and final payments to rehabilitation providers to \$1,027.99 per day.

TN# 00-005

Supersedes

TN# 99-014Approval Date MAY 22 2001Effective Date January 1, 2000

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-INPATIENT HOSPITAL CAREPart V. Aggregate Limits to Inpatient Disproportionate Share, Outpatient Disproportionate Share
and Direct Medical Education

For the period July 1, 1997 through June 30, 1998, the Department shall distribute to providers that are eligible for direct medical education payments and/or disproportionate share payments including outpatient disproportionate share, the aggregate, annualized amount of \$175 million.

For the period July 1, 1998 through June 30, 1999, the Department shall distribute to providers that are eligible for direct medical education payments and/or disproportionate share payments including outpatient disproportionate share, the aggregate annualized amount of \$175 million.

For the period July 1, 1999 through December 31, 1999, the Department shall distribute to providers that are eligible for direct medical education payments and/or disproportionate share payments, including outpatient disproportionate share, the aggregate amount of \$87.5 million.

For the period January 1, 2000 through June 30, 2000, the Department shall distribute to providers that are eligible for direct medical education and/or disproportionate share payments, including outpatient disproportionate share, the aggregate amount of \$91 million.

TN# 00-005

Supersedes

TN# 99-014Approval Date MAY 22 2001 Effective Date January 1, 2000

PROSPECTIVE PSYCHIATRIC PAYMENT SYSTEMPrivate Psychiatric Hospitals and Distinct Part Psychiatric Units of Acute Care General HospitalsGeneral Policy

The Department pays for inpatient psychiatric services under a prospective payment system. Payment is made on a per diem basis. The prospective per diem rate for each provider is established using that provider's base year per diem costs trended forward by inflation factors.

All compensable services provided to an inpatient are covered by the prospective per diem rate except for direct care services provided by salaried practitioners who bill the MA Program directly.

Costs are determined using Medicare principles unless otherwise specified. The Department does not follow the substance or retroactivity of the malpractice insurance cost rule established by 51 F.R. 11142 (April 1, 1986). Malpractice insurance costs are included in the administrative and general cost center and allocated according to established accounting procedures.

Payment Limits

The Department's payment for inpatient services (including acute care general hospitals and their distinct part units, private psychiatric hospitals, and freestanding rehabilitation hospitals) may not exceed in the aggregate the amount that would be paid for those services under Medicare principles of reimbursement.

The Department's payment, exclusive of any disproportionate share payment adjustment, may not exceed the hospital's customary charges to the general public for the services.

The Department limits the prospective per diem payment to psychiatric providers to \$954.61 per day through December 31, 1997. For the period January 1, 1998 to December 31, 1998, the Department limits the prospective per diem to \$980.38. For the period January 1, 1999 to December 31, 1999, the Department limits the prospective per diem to \$999.99. Effective January 1, 2000, the Department limits the prospective per diem to \$1,027.99.

Nonallowable Capital Costs

Capital costs for new or additional inpatient psychiatric beds are not allowable under the Medical Assistance Program unless a Section 1122 approval letter, a Certificate of Need, or a letter of nonreviewability had been issued for the additional beds by the Department of Health prior to July 1, 1991.

Capital costs related to replacement beds are not allowable unless the facility received a Certificate of Need or letter of nonreviewability for the replacement beds. To be allowable, the replacement beds must physically replace beds in the same facility and the capital costs related to the beds being replaced must have been recognized as allowable.

TN# 00-005

Supersedes

TN# 99-014Approval Date MAY 22 2001Effective Date January 1, 2000

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-INPATIENT HOSPITAL CARE

In addition to the above criteria, to receive payment for capital costs related to new, additional or replacement beds, the project must have been substantially implemented within the effective period of the original Section 1122 approval or the original Certificate of Need, including one six-month extension.

Calculation of Prospective Per Diem Rate

The prospective per diem rate of each private psychiatric hospital and distinct part psychiatric unit of an acute care general hospital will be determined as follows:

(a) The hospital or unit's reported Medical Assistance allowable inpatient costs from its Fiscal Year 1989-90 Cost Report (MA-336) are divided by its reported Medical Assistance inpatient psychiatric days.

(b) The amount determined under (a) is reduced by a 1.69 percent overreporting factor.

(c) The per diem cost determined in (b) will be inflated to the year for which the rate is being set using the following inflation factors:

(1) 5.3 percent to account for Fiscal Year 1990-91 inflation.

(2) 5.2 percent to account for Fiscal Year 1991-92 inflation.

(3) 4.6 percent to account for Fiscal Year 1992-93 inflation.

(4) 4.3 percent to account for Fiscal Year 1993-94 inflation. This inflation factor is applied effective July 1, 1993, for all inpatient psychiatric facilities which qualified for a disproportionate share rate enhancement in Fiscal Year 1992-93. The inflation factor is applied effective January 1, 1994, for other inpatient facilities.

(5) Effective January 1, 1995, the amount determined under (c)(4) will be increased by 3.7 percent.

(6) Effective January 1, 1996, the amount determined under (c)(5) will be multiplied by .95.

(7) Effective January 1, 1997, the amount determined under (c)(6) will be increased by 2 percent.

(8) Effective January 1, 1998, the amount determined under (c)(7) will be increased by 2.7 percent.

(9) Effective January 1, 1999, the amount determined under (c)(8) will be increased by 2 percent.

(10) Effective January 1, 2000, the amount determined under (c)(9) will be increased by 2.8 percent.

(d) For an inpatient psychiatric provider whose first full fiscal year of operation under the Medical Assistance Program is subsequent to Fiscal Year 1989-90, the first full fiscal year of operation under the Medical Assistance Program will serve as its base year. The Department will pay full allowable Medical Assistance costs in the base year. Payment for subsequent years will be the audited per diem cost trended forward from the base year using the inflation factors described under (c).

TN# 00-005

Supersedes

TN# 99-014

Approval Date MAY 22 2001

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-INPATIENT HOSPITAL CARE

(e) Effective January 1, 1997 through December 31, 1997, the Department limits the prospective per diem to \$954.61. Effective January 1, 1998, the Department limits the prospective per diem to \$980.38. Effective January 1, 1999, the Department limits the prospective per diem rate to \$999.99. Effective January 1, 2000, the Department limits the prospective per diem rate to \$1,027.99.

Exclusions From the Prospective Psychiatric Payment System

(a) Inpatient psychiatric facilities which place a new capital project into service after the base year are entitled to payment for certain capital costs, provided the qualifying criteria are met:

(1) The costs related to the capital project must represent increases in the inpatient psychiatric facility's allowable depreciation and interest costs for a fixed asset that was entered in the inpatient psychiatric facility's fixed asset ledger in the year being audited.

(2) The costs must be attributable to a fixed asset that is:

(i) approved for Certificate of Need on or before June 30, 1991, in accordance with 28 Pa. Code Chapter 301 (Relating to limitations on Federal participation for capital expenditures) or 28 Pa. Code Chapter 401 (Relating to Certificate of Need program), or not subject to review for Certificate of Need as evidenced by a letter of nonreviewability dated on or before June 30, 1991; and

(ii) related to patient care in accordance with Medicare standards.

(b) In order for an inpatient psychiatric facility to qualify for an additional capital payment set forth in this section, the following criteria must also be met:

(1) The inpatient psychiatric facility's rate of increase in overall audited costs must exceed 15%.

(2) The inpatient psychiatric facility's rate of increase for allowable depreciation and interest must exceed its rate of increase for net operating costs.

(c) Effective July 1, 1993, for each inpatient psychiatric facility which requests an additional capital payment, the Department will audit its MA cost reports for the fiscal year for which the request is made the prior fiscal year and all subsequent fiscal years for which additional capital payment is requested. To the extent that the facility is determined eligible to receive an additional capital payment under this section, the following applies: